

Department of Transportation and Public Facilities

**2008 TITLE 17 AMENDMENT PROJECT**

**Related to the Alaska Air Carriers' Association 4/9/08 Petition and Required  
October 2008 Public Hearings and Comments Period**

(17 AAC 45)

**Rural Airports Regulations**

**RECORD OF THE USE OR REJECTION OF WRITTEN  
COMMENTS**

**March 16, 2009**

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The Department of Transportation & Public Facilities (department) has fully considered all written and oral comments received during the October 2008 regulation public hearings and related comment period. Further, the department hereby records its use or rejection of factual or other substantive information received. This document will present a summary of the written comments received as well as the department's response to use or reject those comments and recommendations received.

There is no increase in appropriation necessary to adopt and implement Title 17, Chapter 45, Rural Airports regulations. AS 44.62.195.

In a public notice dated September 12, 2008, the department gave notice of public hearings and a public comment period related to partially granting a petition submitted by the Alaska Air Carriers Association on 4/9/08. The notice provided information regarding the proposed petition and departmental amendments to the Alaska Administrative Code, Specifically 17 AAC 45 (Rural Airports). The department received 29 written comments during the comment period and several verbal comments during the public hearings held in eleven Alaskan communities during October 2008. Written responses received were from the Air Carriers Association, the Aircraft Owners and Pilots Association, the Alaska Airmen's Association, and various airport tenants and users. In accordance with AS 44.62.215, the following is the record of the department's use or rejection of those written comments.

#### **COMMENTS (general) REGARDING 17 AAC 45 (RURAL AIRPORTS)**

##### **Rates in 17 AAC 45.127(a) and (b)**

Of the 29 written comments received, 26 commented on the rates proposed. Many authors of the comments received seemed to believe the rates being proposed were the rates actually implemented effective March, 2008. However, the rates actually proposed during the hearing and in the draft proposed regulations revisions dated 10/6/2008 was a return to increase the rates established in 2002 by 10%. Also, effective 10/1/2010 and 10/1/2011, all rates would increase an additional 10% on each occasion. Due to increased fuel costs, general economic concerns, and the cost of living and doing business in remote locations, most parties stated that any increases should be limited or deferred. A few said they could support limited increases.

**Comments used or rejected:** used in part and rejected in part.

**Reason for use or rejection:** Due to the comments received, and the cost of fuel, especially to aviation businesses in rural locations, the department has decided to decrease the percentage of the increases and provide airport users more time to make business plan adjustments related to the planned increases.

Therefore, revisions to the rental rates established in 45.127 have been adjusted back to the 2002 rates until January 1, 2010. On January 1, 2010 only auxiliary and non-aviation rates will increase 8% above the 2002 rate(s). Aviation rates will not increase on January 1, 2011. Future increases will be limited to 4% for aviation use and 8% for auxiliary / non-aviation use on 1/1/2011; and two years later on 1/1/2013 - a 4% increase for aviation use and 6% increase for auxiliary / non-aviation use. A 5% increase is scheduled to the auxiliary / non-aviation use rates effective 1/1/2015. This planned increase to aviation users should minimally impact business and users, provide time for planning for any future, limited increase, and therefore maintain or assist in stimulating the aviation economy within the State. Increases to auxiliary / non-aviation use rates are a part of federal requirements and assist the department and the State by providing income to the rural airports, an important portion of our State transportation system. A schedule rate increase phased over five years should provide auxiliary /non-aviation users time to incorporate the increases into their budget plans.

	% Rate Increase*					
	Jan. 1, 2010	Jan. 1, 2011	Jan. 1, 2012	Jan. 1, 2013	Jan. 1, 2014	Jan. 1, 2015
Aviation Use	-	4%	-	4%	-	-
Auxiliary Use	8%	8%	-	6%	-	5%
Non-Aviation Use	8%	8%	-	6%	-	5%

\*There may be some exceptions due to rent data and that the increased rate does not exceed fair market rent.

### **Summation and Disposition of Specific Comments**

Editor's note: The following are summary statements (by the editors) and excerpted quotations, which briefly express each commenting party's position and recommendation on a given regulation topic. In most cases, this Record does not present the full text of each person's written comments. The full text of each written comment received is included in the Appendix at the end of this Record. Excerpted quotations are enclosed in "quotation marks".

#### **1. Comments by: Alaska Air Carriers Association (AACA). Dated Oct. 30, 2008**

AACA expressed concern that "rural economies within Alaska are by their very nature subject to volatility", and current economic indicators "point to longer term high energy costs that stress aviation and transportation related businesses". The AACA points out that "communities throughout rural Alaska are 'locked' into high energy prices for the next six months, creating an economic burden for both the residents and businesses in rural Alaska. Any increase in rental rates for air carriers will be reflected in higher transportation costs for the residents and businesses of rural Alaska".

AACA also observed that “a majority of the proposed rural airport regulations pertain to fair market valuation in determining rental rates.” However, air carriers are required to develop necessary basic transportation infrastructure and “due to severe restrictions imposed on the use of such improvements, the marketability of these assets is limited to aviation use and therefore a ‘fair market value’ is difficult to determine”. In addition, long-term financing to construct improvements is not easy to obtain. “The proposed rate escalation, combined with financing requirements, creates an environment that cripples the balance sheet of rural air carriers. High costs and the inability to secure long term financing deters carriers from making investments that benefit the public”

On another matter, AACA suggests the department puts an “undue burden” on the public to get information by having to call the department to find out more details from the minimally required wording of public notices.

**AACA’s Request:** Provide a balance between increasing revenue and providing an incentive for businesses and individuals to invest at airports.

**Comment used or rejected:** used.

**Reason for use or rejection:**

The department agrees that recent economic downturns have affected rural communities dramatically. Increases in rates are presented gradually, giving businesses and individuals time to incorporate the increases into their budget plans, and the rate increases reflect a lower increase for aviation uses.

**AACA’S Request:** Repeal 17 AAC 45.400(e)(2)(D) and adopt the following:

(D) the class or classes of use, and a complete description of all activities to be authorized.

**Comment used or rejected:** rejected.

**Reason for use or rejection:**

Under the current regulations the public notice includes “the class or classes and general description of the authorized uses”. When practical, the department will publish more detail regarding authorized uses in the on-line public notice (OPN).

End of AACA comments

**2. Comments by: Alaska Airmen's Association, Inc (AAA). Dated Nov. 2, 2008.**

AAA cited the economy in a "well documented recession and all indicators point to long term high energy costs that will severely stress most aviation and transportation related businesses", and pointed out that "communities outside our metropolitan areas are 'locked' into high energy prices for at least the next six months".

AAA also observed that "comparables used to determine 'fair market' value of lease lots are not reasonable. The use of commercial properties not situated on leased land and without building or use restrictions should not be used as a comparable for determining market value at our state airports. Commercial properties on state airports are typically leased and are encumbered by numerous use restrictions".

**AAA's Request:** Defer the lease rate increase and provide a balance between deriving income and providing an incentive for businesses and individuals to invest in our airports.

**Comment used or rejected:** used.

**Reason for use or rejection:**

The department agrees that recent economic downturns have affected rural communities dramatically. The rate increases are deferred, presented gradually, giving businesses and individuals time to incorporate the increases into their budget plans, and reflect a lower increase for aviation uses.

**AAA's Request:** Conduct an economic impact study to determine what affect a rate increase will have on the small business owner before an increase is implemented.

**Comment used or rejected:** rejected.

**Reason for use or rejection:**

The department agrees that economic impact is an extremely important one of many considerations that must be factored into a decision to change rates. While the department has not requested a formal economic impact study at this time, it is recognized that the revised rates do consider the economic impacts to small business owners, and strike a balance between the obligations the department has to make our airports as self-sustaining as possible and encouraging continued development.

End of AAA comments.

**3. Comments by: Alsek Air Service, Inc. Dated Nov. 2, 2008.**

Alsek Air Service, Inc. (Alsek) proposes that if the state proposes an "exorbitant increase, from .114 cents per sq ft, to .171 cents per sq ft" the state should "actually sell us this property so that we could obtain a loan and make payments in the same price range and actually increase the value of our business". In addition, Alsek states "the increase doesn't seem to reflect the actual increase in revenue in the community, or the level of State supported services". Alsek also notes "at this time with higher fuel costs, higher shipping and the basic higher cost of living and operating a business in rural Alaska I can tell you that we have had to tighten our belts to keep our rates from inhibiting our business".

Alsek also mentioned issues unrelated to the topics in this public hearing. Those comments will be passed along to the appropriate sections.

**Alsek's Request:** The State sell the property Alsek leases to Alsek.

**Comment used or rejected:** rejected.

**Reason for use or rejection:**

Federal and state regulations require a study to determine land in excess to airport needs in order to dispose of airport property. Airport land is rarely disposed, and particularly not lands that are needed for aviation uses.

End of Alsek's comments.

**4. Comments by: Aircraft Owners and Pilots Association (AOPA). Dated Oct. 31, 2008.**

AOPA acknowledged that "limiting a rate increase to no more than 10% per year is good practice" but recommended that "little to no increase be considered in light of the continuing financial stress to aviation caused by the current economic situation and high fuel costs". AOPA contends that "raising land rental rates at all under the current economic climate will worsen the conditions identified by the department as the reason to suspend the increases in the first place".

**AOPA's Request:** Little or no increase to rates at this time.

**Comment used or rejected:** partially used and partially rejected.

**Reason for use or rejection:**

The department agrees that current economic conditions have caused financial stress to aviation, and have deferred the rate increases for aviation uses to not

take effect until 2011. Aviation use increases have been scaled back to less than 10% at each increase, and are staggered to every other year to minimize impacts.

**AOPA's Request:** Conduct a study of the economic impact to the communities prior to implementing future rate increases.

**Comment used or rejected:** rejected.

**Reason for use or rejection:**

The department agrees that economic impact is an extremely important one of many considerations that must be factored into a decision to change the rates. While the department has not requested a formal economic impact study at this time, it is recognized that the revised rates do consider the economic impacts to small business owners, and strike a balance between the obligations the department has to make our airports as self-sustaining as possible and encouraging continued development.

End of AOPA's comments.

**5. Comments by: Arctic Transportation Services (ATS). Dated Oct. 31, 2008.**

ATS favors a "one-time 10% annual increase", but requests that "economic conditions be considered before any increases are implemented beginning in January 2009" due to the economy being "in a well documented recession and economic indicators point to longer term high energy costs that stresses aviation and transportation related businesses."

ATS also reiterates the concern over fair market valuations raised by both AACAA and AAA; determining fair market value is "difficult".

**ATS's Request:** Balance increasing revenue and providing an incentive for businesses and individuals to invest at airports.

**Comment used or rejected:** used.

**Reason for use or rejection:**

The department agrees that recent economic downturns have affected rural communities dramatically. The increases in rates are presented gradually, giving businesses and individuals time to incorporate the increases into their budget plans, and rate increases reflect a lower increase for aviation uses.

**ATS's Request:** Consider economic conditions before any increases are implemented.

**Comment used or rejected:** used.

**Reason for use or rejection:**

The department agrees that economic impact is an extremely important one of many considerations that must be factored into a decision to change rates. The revised rates do consider the economic impacts to small business owners, and strike a balance between the obligations the department has to make our airports as self-sustaining as possible and encouraging continued development. Rate increases for aviation uses will not take effect until 2011. Increases have been scaled back to less than 10% at each increase, and are staggered over multiple years to minimize impacts.

End of ATS's comments.

**6. Comments by: Barry Stanley. Dated Nov. 3, 2008.**

Mr. Stanley is a single pilot air taxi operator serving the bush area of the Susitna Valley. He has a "limited income to address rate increases" and is "against any increase under our current financial crisis....then only 10% every other year to give us time to adjust our rates to reflect our costs"

**Barry Stanley's Request:** No increase under current financial crisis and only 10% increases every other year.

**Comment used or rejected:** used.

**Reason for use or rejection:**

Rate increases for aviation uses will not take effect until 2011. Aviation rate increases have been scaled back to less than 10% at each increase, and are staggered over multiple years to minimize impacts.

End of Barry Stanley's comments.

**7. Comments by: Bill Martin's Fish Alaska, Inc. Dated Aug. 21, 2008.**

Mr. Martin says "there is no way to plan or project a 84.65% increase when 1. your sub-leases are long term (i.e. Alaska Airlines and TSA), 2.Heating and electric cost are sky rocketing plus other cost increases such as taxes, utilities, etc."

**Bill Martin's Request:** Time to adjust to these cost increases.



**Comment used or rejected:** used.

**Reason for use or rejection:**

Rate increases for non-aviation and auxiliary uses will not go into effect until Oct. 1, 2009 and aviation use rate increase will not take effect until 2011. Increases have been scaled back to less than 10% at each increase, and are staggered over multiple years to allow time to incorporate them into business budgets.

End of Bill Martin's comments.

**8. Comments by: William J. Schwaab, VP, Birchwood Airpark Owners Association (BAOA). Dated Nov. 3, 2008.**

BAOA supports the AACA petition comments and requests. The "economy is in a severe down turn due to energy prices along with the fallout to investments and banking. Many owners are retired and their IRA's and 401K's and other retirement investments have been depleted by 40% of their value, so they cannot stretch their budget more than 10%, because of these hard times".

**BAOA's Request:** Limit increase to 10% and not have any automatic increases. Any future increase should be proposed as needed and open for comments along with public hearings.

**Comment used or rejected:** partially rejected and partially used.

**Reason for use or rejection:**

Rate increases for aviation uses have been deferred until 2011. These increases have been scaled back to less than 10% at each increase, and are staggered over multiple years to minimize impacts. Increases are defined until 2015; future increases will allow for comments and public hearings.

End of BAOA's comments.

**9. Comments by: Catherine Shuman. Dated Nov. 3, 2008.**

Ms. Shuman expressed four concerns: 1. Not clear what is driving the rate increase; 2. Not clear whether Birchwood is self-sustaining—she's been told "it makes money" and also "that it does not make money"; 3. Proposed lease rates are unreasonable "given the leases being very restrictive in usage and lack of service or maintenance that is provided"; and 4. seriously consider the need for increased lease rates" with the "economic difficulties of our rural communities" at this time.

**Ms. Shuman's Request:** Questions increasing the lease rates at this time.

**Comment used or rejected:** used.

**Reason for use or rejection:**

The department considered economic difficulties and the need for increased rates. The new rate structure defers the increase and represents a scaled back increase from the initial rates adopted March 2008.

End of Catherine Shuman's comments.

**10. Comments by: City of Homer. Dated Oct. 3, 2008.**

The City of Homer is experiencing "drastic shortfalls in our budgets due to energy costs. The 64% rental increase....was a huge expense for our airport terminal operations. Our lease rate went from \$18,568.55 to \$30,293.37".

**City of Homer's Request:** Reduce current land rental rates to an amount equal to 10% greater than the rates in effect March 28, 2002 and thereafter increasing in limited increments.

**Comment used or rejected:** partially rejected and partially used.

**Reason for use or rejection:**

Rate increases for non-aviation and auxiliary uses will increase less than 10% on January 1, 2010. A 4% rate increase for aviation uses will not take effect until 2011. Additional increases have been scaled back to less than 10% at each increase, and are staggered over multiple years to minimize impacts.

End of City of Homer's comments.

**11. Comments by: David Bridges, D and D Bridges, LLC. Dated Sept. 23, 2008.**

Mr. Bridges has been in business for less than four years and is "not losing money but we are not getting rich at the same time". His plans to make improvements will not increase income but provide benefits to customers. The cost of heating fuel is up to \$6.50 per gallon in Fort Yukon; a 50% increase and electric, water and sewer bills are higher and rising.

Mr. Bridges expressed concern that he was told his rate at Fort Yukon was determined on appraisals at other airports; namely Barrow, Kotzebue and Nome. Mr. Bridges states "They are all much larger and handle much more business than we do and because of this are able to turn a greater profit on their

businesses". The cost to appeal the rate increase would be as much as the increase.

**David Bridges' Request:** Questions raising rates at all at this time.

**Comment used or rejected:** partially rejected and partially used.

**Reason for use or rejection:**

Initial rates will be equal to the 2002 rates. Rate increases for aviation uses will not take effect until 2011. These increases have been scaled back to less than 10% at each increase, and are staggered over multiple years to minimize impacts.

End of David Bridges' comments.

**12. Comments by: Dee Hanson. Dated Nov. 3, 2008.**

Ms. Hanson was hit hard this summer with unforeseen increased fuel costs and "many places in Alaska will not see any reprieve from high fuel costs this winter". Ms. Hanson also points out that when establishing fair market value "using commercial properties with no restrictions and no use limitations is not a good comparison".

**Dee Hanson's Request:** Defer implementing increases until our economy has taken another direction.

**Comment used or rejected:** partially rejected and partially used.

**Reason for use or rejection:**

Rate increases for aviation uses are deferred until 2011. Increases have been scaled back to less than 10% at each increase, and are staggered over multiple years to minimize impacts.

**Dee Hanson's Request:** Conduct an impact study to find out the impact an increase would have to small businesses.

**Comment used or rejected:** rejected.

**Reason for use or rejection:**

The department agrees that economic impact is an extremely important one of many considerations that must be factored into a decision to change rates. The revised rates do consider the economic impacts to small business owners, and

strike a balance between the obligations the department has to make our airports as self-sustaining as possible and encouraging continued development.

**Dee Hanson's Request:** Use more accurate comparables if rates are established on fair market value.

**Comment used or rejected:** rejected.

**Reason for use or rejection:**

Rental rates are not being raised to fair market rates in this round of regulations, except at those airports where the incremental percentage increases adopted by the department would result in an increase of rental rates above the fair market rates indicated by the department's market survey.

End of Dee Hanson's comments.

**13. Comments by: Dick Armstrong, ACE Fuels and ACE Hangars. Dated Nov. 3, 2008.**

Mr. Armstrong provides retail fuel sales and has invested over \$250,000 in improvements and "with sales at the current rate, I will not live long enough to see a payback on that investment". His fuel sales, hangar and tie-down business have been operating at a loss since inception. He is motivated because he believes in the importance of what he's doing but with the recent increase he doesn't know if he wants to continue operating at a loss. Mr. Armstrong states: "Due to the fact that there are significant restrictions to the airport leases, and due to the fact that most of the improvements on the airport are federally funded, I have to question the sanity of pricing us small leaseholders out of business. The State of Alaska is the richest state in the Union, so there is just no good justification to implement a rate increase when so many of us in small businesses that serve general aviation are gasping our last breath."

**Dick Armstrong's Request:** Defer any lease rate increases for at least three years.

**Comment used or rejected:** partially rejected and partially used.

**Reason for use or rejection:**

The department agrees the impact to small businesses is an extremely important one of many considerations that must be factored into a decision to change rates. The revised rates strike a balance between the obligations the department has to make our airports as self-sustaining as possible and encouraging continued development. Rate increases for non-aviation and auxiliary uses will

not take place until January 1, 2010. Aviation use rate increases will not take effect until 2011. Increases have been scaled back to less than 10% at each increase, and are staggered over multiple years to minimize impacts.

End of Dick Armstrong's comments.

**14. Comments by: Dick Gunlogson. Dated Nov. 2, 2008.**

Mr. Gunlogson asserts: "An increase of about 120% all in one fell swoop is unheralded in most any business venture. The price of aviation fuel is dealing us a difficult enough challenge to survive at this time. No one can formulate a sound business plan with that kind of cost increase". He does not think the department has justification for a rent increase and cites economic hard times as a reason to not increase rates at this time.

**Dick Gunlogson's Request:** Do not increase rates at this time.

**Comment used or rejected:** partially rejected and partially used.

**Reason for use or rejection:**

The department agrees the economic impact to aviation users is an extremely important one of many considerations that must be factored into a decision to change rates. The revised rates strike a balance between the obligations the department has to make our airports as self-sustaining as possible and encouraging continued development. Rate increases for non-aviation and auxiliary uses will not take place until January 1, 2010. Aviation use rate increases will not take effect until 2011. Increases have been scaled back to less than 10% at each increase, and are staggered over multiple years to minimize impacts.

End of Dick Gunlogson's comments.

**15. Comments by: Ed Paquette. Dated Nov. 3, 2008.**

Mr. Paquette cites the current economy and property values decreasing, along with the high price of fuel, to assert that a "thirty plus percent increase in the next three years is totally unjustified".

**Ed Paquette's Request:** Delay regulation revisions for 5 years and look at the economy to evaluate this revision.

**Comment used or rejected:** partially rejected and partially used.

**Reason for use or rejection:**

The department agrees the impact to small businesses is an extremely important one of many considerations that must be factored into a decision to change rates. The revised rates strike a balance between the obligations the department has to make our airports as self-sustaining as possible and encouraging continued development. Initial rates will be equal to the 2002 rates. Rate increases for non-aviation and auxiliary uses will not take place until January 1, 2010. Aviation use rate increases will not take effect until 2011. Increases have been scaled back to less than 10% at each increase, and are staggered over multiple years to minimize impacts.

End of Ed Paquette's comments.

**16. Comments by: Eddie Trimmer. Dated Oct. 30, 2008.**

Mr. Trimmer says "the current Global Economic conditions are devastating to large business and will consume many small businesses as well. Any cost increase in lease rental rates prior to a long-term economic recovery will negatively impact the Fixed Base Operators". He also cites a slow down in travel and increased costs to bush residents due to "unreasonably high oil prices, the cost of aviation fuel, automotive fuel and heating oil".

Mr. Trimmer notes the state has been receiving "unexpected increase of funds at the rate of almost a billion dollars a month, so the amount of revenue generated by the additional financial burden placed on the lease holders by the proposed increases would basically be insignificant".

**Eddie Trimmer's Request:** The lease rate should remain at the current rate for five years. If the economy has recovered after five years, a 10% increase might be justified. Future increases should be at 10% every five years.

**Comment used or rejected:** partially rejected and partially used.

**Reason for use or rejection:**

The department agrees the impact to small businesses is an extremely important one of many considerations that must be factored into a decision to change rates. The revised rates strike a balance between the obligations the department has to make our airports as self-sustaining as possible and encouraging continued development. Initial rates will be equal to the 2002 rates. Rate increases for non-aviation and auxiliary uses will not take place until January 1, 2010. Aviation use rate increases will not take effect until 2011. Increases have been scaled back to less than 10% at each increase, and are staggered over multiple years to minimize impacts.

**Eddie Trimmer's Request:** Leaseholds should be awarded a non-competitive lease contract or lease extension as long as they own the improvements.

**Comment used or rejected:** Rejected, not a part of this review.

**Reason for use or rejection:**

Mr. Trimmer's request is not a part of this review. However, 17 AAC 45.215 addresses term extensions.

**Eddie Trimmer's Request:** Some regulations are International Airport applicable and should be deleted from the Rural Airport Regulations.

**Comment used or rejected:** Rejected, not a part of this review.

**Reason for use or rejection:**

Mr. Trimmer's request is not a part of this review. However, the regulations are different under 17 AAC 45 (Rural Airports) and 17AAC 42 (International Airports) where appropriate.

End of Eddie Trimmer's comments.

#### **17. Comments by: George Mandes. Dated Nov. 3, 2008.**

Mr. Mandes has hangars at the Homer Airport in addition to hangars in Utah, Colorado and Idaho. His lease rate at Homer is 2.5 to 4 times higher than the other three. He states that "using a fair market analysis, the state should be reducing not increasing the lease rates"

**George Mandes' Request:** Reduce lease rates.

**Comment used or rejected:** rejected.

**Reason for use or rejection:**

The department has entered into obligations to the federal government in return for millions of dollars in federal improvements on our airports. The department must endeavor to strike a balance in making our airports as self-sustaining as possible in addition to encouraging continued development. Initial rates will be equal to the 2002 rates. Rate increases for non-aviation and auxiliary uses will not take place until January 1, 2010. Aviation uses will not take effect until 2011. Increases have been scaled back to less than 10% at each increase, and are staggered over multiple years to minimize impacts.

**George Mandes' Request:** Survey lease rates at lower 48 airports as part of its analysis of this issue.

**Comment used or rejected:** used.

**Reason for use or rejection:**

The department has surveyed other lower 48 airport rates, and will continue to survey them to know how our rates compare to other airports. However, the majority of airport users in the State of Alaska have made it clear to the department they do not feel comparing airports in Alaska to airports in the lower 48 is useful or valid in setting rates.

End of George Mandes' comments.

**18. Comments by: George Frushour Jr. Dated Nov. 3, 2008.**

Mr. Frushour thinks the new fees "will be a drag on the economy of the State" when added to the "economic recession driven by the collapse of the mortgage markets and usurious rates demanded in the energy markets (oil and its products)." He points out that the aviation systems are "the lifeblood of Alaska's economy" and thinks adding fees may be unwise when the state and nation "already reels under current economic strains and a declared recession".

In addition, Mr. Frushour questions the "comparables" used to determine fees for his particular lot and asserts that for reasons listed, they do not compare favorably to all the airport lands. Mr. Frushour's mentioned his particular situation, and this will be passed along to the appropriate section.

**George Frushour Jr's Request:** Suspend implementation of the fee increases pending a thorough review of the economic impact of the fees as they interact with the current economic recession.

**Comment used or rejected:** partially used and partially rejected.

**Reason for use or rejection:**

Initial rates will be equal to the 2002 rates. Rate increases for non-aviation and auxiliary uses are deferred until January 1, 2010. Aviation use rate increases are deferred until 2011. Increases in the rates have been scaled back to less than 10% at each increase, and are presented gradually; giving businesses and individuals time to incorporate the increases into their budget plans. The department agrees the economic impact to aviation users is an extremely important one of many considerations that must be factored into a decision to change rates. The revised rates strike a balance between the obligations the



department has to make our airports as self-sustaining as possible and encouraging continued development.

**George Frushour Jr's Request:** Review the blank "a lease is a lease" policy, as not all leases are commercial. Some are for private, non-profit uses.

**Comment used or rejected:** partially used and partially rejected.

**Reason for use or rejection:**

Mr. Frushour's request does not fall under this review. However, the department does review leases based on their use.

End of George Frushour Jr's comments.

**19. Comments by: Harold Parker. Dated Nov. 3, 2008.**

Mr. Parker flies out of the Birchwood Airport and agrees with comments of the AAA against rate increases

**Comment used or rejected:** partially used and partially rejected.

**Reason for use or rejection:**

See #2 above.

The department agrees that recent economic downturns have affected rural communities dramatically. Increases in rates are presented gradually, giving businesses and individuals time to incorporate the increases into their budget plans, and rate increases reflect a lower increase for aviation uses.

End of Harold Parker's comments.

**20. Comments by: Jim Acher, Northern Pioneer Helicopters. Dated Oct. 23, 2008.**

Mr. Acher thinks "the proposed 10% increase for the next several years will cause hardship to all operators on Big Lake Airport". The airport has minimal services, "yet the companies on this field provide important services". He thinks "it's wrong for the State of Alaska to 'pick on' general aviation by these increases".

**Jim Acher's Request:** Proposed increases in lease rates are excessive.

**Comment used or rejected:** used.

**Reason for use or rejection:**

Initial rates will be equal to the 2002 rates. Aviation use rate increases will not take effect until 2011. Increases have been scaled back to less than 10% at each increase, and are staggered over multiple years to minimize impacts. The department agrees the economic impact to aviation users is an extremely important one of many considerations that must be factored into a decision to change rates.

End of Jim Acher's comments.

**21. Comments by: John Daily. Dated Oct. 30, 2008.**

Mr. Daily questions why leases are "all being treated as commercial properties". He suggests comparing airport property to commercial properties is not applicable.

**John Daily's Request:** Look for a way to make comparisons of property to establish rates more equitable.

**Comment used or rejected:** used.

**Reason for use or rejection:**

Initial rates will be equal to the 2002 rates. Rate increases for non-aviation and auxiliary uses will not take place until January 1, 2010. Aviation use rate increases will not take effect until 2011. Increases have been scaled back to less than 10% at each increase, and are staggered over multiple years to minimize impacts. The department agrees the economic impact to aviation users is an extremely important one of many considerations that must be factored into a decision to change rates.

End of John Daily's comments.

**22. Comments by: Bill Wilcox. Dated Oct. 13, 2008.**

Mr. Wilcox thinks it's "counter productive" to raise rates "when the cost of energy and the cost of living in the bush is negatively impacting the flying community". He worries that the rising cost of aviation will make living in rural areas unaffordable. He compared the state's operation of airport lands to a monopoly, stating "the owner raises the price to where only a few can afford the very high cost", and pointing out that most monopolies are regulated by an independent board.

**Bill Wilcox's Request:** Create a governing board to protect users.

**Comment used or rejected:** rejected.

**Reason for use or rejection:**

The department currently has an aviation advisory board, which oversees and makes recommendations to the Governor's office. Changes to regulations, including rate changes go through a public hearing process, with opportunities for concerned parties to give testimony and make recommendations.

**Bill Wilcox's Request:** Don't raise rental rates.

**Comment used or rejected:** partially used and partially rejected.

**Reason for use or rejection:**

Initial rates will be equal to the 2002 rates. Rate increases for non-aviation and auxiliary uses will not take place until January 1, 2010. Aviation use rate increases will not take effect until 2011. Increases have been scaled back to less than 10% at each increase, and are staggered over multiple years to minimize impacts. The department agrees the economic impact to aviation users is an extremely important one of many considerations that must be factored into a decision to change rates.

End of Bill Wilcox's comments.

**23. Comments by: Lew Dennis, Lupos Partners. Dated Nov. 2, 2008.**

Lupos Partners operates hangars and tie-down on the Birchwood Airport. Mr. Dennis doesn't think significant rate increases are justified and gives several reasons for that thought: 1. Birchwood Airport makes a profit, so "why burden your leaseholders with a rate increase?"; 2. Economics were already challenging before the proposed rate increase, an increase would shrink aviation services and increase cost to the general public; 3. rate increases must be "gradual, well planned, justified and communicated well in advance to allow realistic business planning"; 4. No additional state services that would justify a rate increase; 5. Using commercial properties as comparable to airport land is not a fair comparable as the state restricts some uses of leased properties; 6. The State competes unfairly by "renting tie-downs much cheaper than what lease holder must charge in an attempt to cover their operating costs" and a lease rate increase would "compound this problem".

Mr. Dennis maintenance and operations comments were not a part of this review but will be passed on to the appropriate sections.

**Lew Dennis Request:** Minimize and gradually implement any lease rate increase as much as possible.

**Comment used or rejected:** used.

**Reason for use or rejection:**

Initial rates will be equal to the 2002 rates. Rate increases for non-aviation and auxiliary uses will not take place until January 1, 2010. Aviation use rate increases will not take effect until 2011. Increases have been scaled back to less than 10% at each increase, and are staggered over multiple years to minimize impacts. The department agrees the economic impact to aviation users is an extremely important one of many considerations that must be factored into a decision to change rates. The revised rates strike a balance between the obligations the department has to make our airports as self-sustaining as possible and encouraging continued development.

End of Lew Dennis' comments.

**24. Comments by: Mike Schultz. Dated Oct. 30, 2008.**

Mr. Schultz is concerned with the comparable data used by the appraiser to set the proposed lease rates, particularly questioning using as comparison properties that have a greater commercial value because commercial uses of the property "far exceed what would be allowed on airport property".

**Mike Schultz's Request:** Mr. Schultz asks for "a comparison of the restriction placed on airport lease property vs. the selected comp properties and a comparison of typical income generation of airport leases vs. the selected comps."

**Comment used or rejected:** partially used and partially rejected.

**Reason for use or rejection:**

Initial rates will be equal to the 2002 rates. Rate increases for non-aviation and auxiliary uses will not take place until January 1, 2010. Aviation use rate increases will not take effect until 2011. Increases have been scaled back to less than 10% at each increase, and are phased over multiple years to minimize impacts. Comparables are completed in appraisals consistent with generally accepted real estate appraisal practices.

End of Mike Schultz's comments.

**25. Comments by: Ron Stapleton. Dated Nov. 3, 2008.**

Mr. Stapleton thinks it is unnecessary to raise rates at the Birchwood Airport because the airport makes money. Other airports in the system need a reprieve "from this inflammatory pricing scheme". Citing "all time high" fuel, heating oil and energy prices, adding higher operational costs "will only serve to erode an already shaky business environment". Mr. Stapleton suggests looking for other ways to pay for airports such as partnering with local communities or native groups for funding options. Using a "fair market value of lease lots are not reasonable and certainly not applicable when we are now watching land markets in the Lower-48 decline due to over speculation and poor lending practices".

Mr. Stapleton comments on funding options were not a part of this review.

**Ron Stapleton's Request:** Consider all aspects, ideas and consequences before proceeding with rate increases.

**Comment used or rejected:** used.

**Reason for use or rejection:**

Initial rates will be equal to the 2002 rates. The department agrees the economic impact to aviation users is an extremely important one of many considerations that must be factored into a decision to change rates. The revised rates strike a balance between the obligations the department has to make our airports as self-sustaining as possible and encouraging continued development. Rate increases for non-aviation and auxiliary uses will not take place until January 1, 2010. Rate increases for aviation will not take effect until 2011. The increases have been scaled back to less than 10% at each increase, and are phased over multiple years to minimize impacts.

End of Ron Stapleton's comments.

**26. Comments by: Ross Clement. Dated Nov. 3, 2008.**

Mr. Clement submitted a list of requests as noted below.

**Ross Clement's Request:** Reduce rate to March 2002 rate; limit increase to once, and base it on a maximum of 10% in 5 years; amend for life the lease rates for capital improvements to the lot; request funding back to the airport from monies paid to local boroughs from capital improvements; repeal the "land value property tax" that leaseholders pay to the State and return it to the airport; determine the value of the airport to the local community and lower rates as "its contribution to the local or states economy".

**Comment used or rejected:** partially used and partially rejected.

**Reason for use or rejection:**

Initial rates will be equal to the 2002 rates. The department agrees the economic impact to aviation users is an extremely important one of many considerations that must be factored into a decision to change rates. Rate increases for non-aviation and auxiliary uses will not take place until January 1, 2010. Aviation use rate increases will not take effect until 2011. Increases have been scaled back to less than 10% at each increase, and are staggered over multiple years to minimize impacts. The revised rates strike a balance between the obligations the department has to make our airports as self-sustaining as possible and encouraging continued development. The other requests of Mr. Clement did not fall under this review.

End of Ross Clement's comments.

**27. Comments by: William J. and Jean H. Schwaab. Dated Nov. 3, 2008.**

Mr. and Ms. Schwaab favor adopting the proposed revisions as set forth in the petition from the AACCA. Mr. and Ms. Schwaab are retired and have lost 40% of their retirement savings value. They state "the economy is in a severe down turn due to energy prices along with the fallout to investments and banking." Keeping rates low "stimulates hangar construction and the resultant economic stimulus to communities".

**William J. and Jean H. Schwaab's Request:** Do not raise rates more than 10% now with no automatic future increases.

**Comment used or rejected:** partially used and partially rejected.

**Reason for use or rejection:**

See #8 above.

The department agrees the economic impact to aviation users is an extremely important one of many considerations that must be factored into a decision to change rates. The revised rates strike a balance between the obligations the department has to make our airports as self-sustaining as possible and encouraging continued development. Rate increases for non-aviation and auxiliary uses will not take place until January 1, 2010. Increased aviation use rates will not take effect until 2011. Increases have been scaled back to less than 10% at each increase, and are staggered over multiple years to minimize impacts.

End of William J. and Jean H. Schwaab's comments.

**28. Comments by: William J. Marley. Dated Nov. 3, 2008.**

Mr. Marley suggests that the aviation system in Alaska "is the counterpart of a vast road system of the other 49 states" and should be operated as a highway system with users needing only a license and taxes to use—private land next to highways mostly privately owned. To build a hangar on an airport, DOT has a monopoly on the land; rates seem to be arbitrary. Can't compare airport land to commercial land because of the restrictions the state puts on the land. Hangars have been for sale in Homer for a very long time; not factored into appraisal. Tying lease rates into runway lengths is "unfair for those of us who have smaller, light, general aviation aircraft when we only have a need of a much shorter runway but we are compelled to use this airport because it is the only choice in the Homer area. Recent sewer improvements should lower rates because leaseholders are now required to pay for the LID and the state has been a financial participant in other LIDs but not in this case, which is unequal treatment. Mr. Marley questions the leasehold interest tax, saying "I know of no other circumstance whereby a renter (leasee) not only pays the rent (lease rate) but the taxes as well for the landlord (State) not to mention permanent leasehold improvements (the sewer extension)."

**William J. Marley's Request:** No specific request and commented on topics that were not a part of this review. Those comments will be passed on to the appropriate sections.

**Comment used or rejected:** partially used and partially rejected.

**Reason for use or rejection:**

Airport lands are subject to different federal and state regulations which preclude operation similar to the highway system. The department agrees the economic impact to aviation users is an extremely important one of many considerations that must be factored into a decision to change rates. The revised rates strike a balance between the obligations the department has to make our airports as self-sustaining as possible and encouraging continued development. Rate increases for non-aviation and auxiliary uses will not take place until January 1, 2010. Increased aviation use rates will not take effect until 2011. Increases have been scaled back to less than 10% at each increase, and are phased over multiple years to minimize impacts.

End of William J. Marley's comments.

**29. Comments by: Ken Fanning, Yakutat Lodge. Dated Oct. 10, 2008.**

Mr. Fanning operates three businesses on the Yakutat Airport and has not protested previous rate increases. Mr. Fanning thinks "The current proposals, however are arbitrary and capricious and do not reflect the current economic

situation or the fair market value. In fact; it is quite likely that they would force several Rural Airport Leaseholders (including us) out of business.” He states that rural airports are experiencing a decline in activity for the past several years. In Yakutat, the population is declining, the economy is “down”, and school enrollment is “down 30%”. Mr. Fanning suggests “A fair market appraisal of the airport lease property here would reflect a decrease rather than an increase in value. It is not fair or just for DOTPF to suggest that I or other leaseholders in Rural Alaska simply get an appraisal for several thousands of dollars and appeal the rates if we disagree.”

Mr. Fanning provides additional comments that focus on concession fees, which were not included in this public hearing. His additional comments will be provided to the appropriate section for further review.

**Ken Fanning’s Request:** Extend the current moratorium on rate increases to Dec. 2009.

**Comment used or rejected:** partially used and partially rejected.

**Reason for use or rejection:**

The department agrees the economic impact to airport users is an extremely important one of many considerations that must be factored into a decision to change rates. Rate increases have been deferred for non-aviation and auxiliary uses will not take place until January 1, 2010, and the increase will be held under 10%. Increased aviation use rates will not take effect until 2011. Increases have been scaled back to less than 10% at each increase, and are staggered over multiple years to minimize impacts.

End of Ken Fanning’s comments.

End of All Written Comments.